

**PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park
Helena MT 59620**

**Legislative Committee Minutes
Wednesday, February 7, 2006
9:00 a.m.**

Attending: Betty Lou Kasten, Carole Carey and Terry Smith (by telephone)
Robert Griffith and John Paull

Staff: Roxanne Minnehan and Melanie Symons, MPERA
Kelly Jenkins (by telephone)

Visitors: Stephen C. Kologi, Jim Christnacht and Charles F. Stohl, AMRPE; Bob Bergren, MSFA; Tom Schneider, MPEA; John Barrows, Montana Newspaper Association; Jim Kembel, MPPA/MACOP/TIAA Cref; Kim Flatow, MPERA.

BOARD PROPOSED LEGISLATION

Funding Bill – Points of discussion included the following:

- The Board initiating a funding bill to ensure the PERS, GWPORS and SRS are actuarially sound.
- Including the DC loan repayment in the funding bill.
- Introducing separate legislation for the payment of the DC plan loan.
- To minimize PCR (.82% for one year, and .82% for the following year).
- Allocate the additional employer contributions paid on behalf of DC participants to pay off the DC implementation loan.

Mr. Jenkins explained three ways to use the money that would reflect the additional employer contributions for DCRP members:

- Pay down the DBRP unfunded liability.
- Pay down the DCRP unfunded liability that is reflected in the PCR.
- Apply the additional employer contributions to pay off the DC plan loan costs that were incurred to set up the DCRP. As of January 2006, those loan costs were approximately \$1.4 million.

Mr. Jenkins also pointed out that the funding must be addressed. Paying off the DC loan would be nice, but is not critical.

Further discussion centered around the pros and cons of funding approaches.

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- Mrs. Kasten would like the funding bill to be the same as the Unofficial Draft SAVA Copy, except that we include the GWPORS and SRS, and eliminate the last two new sections.
- Mrs. Kasten also questioned the effect the transfer of detention officers will have on the SRS, as far as increased or decreased liability. (The election period remains open until April 30, 2006.)

Mr. Griffith's position was to have the PERS, GWPORS and SRS in one bill to bring them up to actuarial soundness, and a second bill for the DC plan loan. Mr. Paull and Mrs. Kasten agreed. The committee also agreed that a phase-in of employer increases would be easier than asking for a lump sum.

Mr. Smith stated his support of the third action Mr. Jenkins outlined. He thinks the Board needs to look at an alternative, but he will accept the decision of the committee.

General Revisions Bill

Ms. Symons presented a Table of General Revisions Legislation for the Board and staff to review, and to be considered for the 2007 legislative session. The Table is a work-in-progress. It is the format staff uses to start drafting.

Legislative Committee (SAVA) Bill

There was a brief discussion about HB 2 from the special session. Mrs. Kasten was concerned the minority view might not be fully represented to the legislature for retirement legislation. The committee decided not to pursue changes.

Brainstorming

MPERA staff provided a list of design options for the Committee to add to and then determine whether they would support, consider or reject. Discussion included:

- A combination of factors has made retirement and return to work attractive which is, actuarially, very detrimental to the retirement system.
- Suggestion to increase hours of work necessary for covering health insurance premium in the PERS - idea to operate as a retirement incentive. There would need to be a change in the Title 2 statutes regarding how much time qualifies for payment of insurance premiums.
- Eliminating the PERS "career bonus" - Mr. Jenkins explained that a "career bonus" was a provision that was incorporated in 2001 that increased the factor that is used in the formula for the calculation of benefits in PERS. At 25 years of service, that factor increases. The idea is to retain employees with the "career bonus."

- Should the Board wait until bills are introduced, or look at alternatives of what might be acceptable?
 - Mrs. Carey - Be proactive (suggestions: increasing retirement age to 55; increasing the amount of contributions for new hires to fund their own GABA, or if going into the DC plan, would have a little more money going in).
 - Mrs. Kasten - Make a list of alternatives of what might be acceptable or what would definitely be off the table.
 - Mr. Paull - definitely would need more information on what the plan design options are and whom they would affect.
 - Mr. Griffith – Be proactive, but had no ideas at this time. The full Board should decide.

Mrs. Kasten suggested that staff stay in touch with the Legislative Council regarding upcoming bill draft requests.

The Committee recommends the full Board review the Plan Design Options to get their initial view. Then the Committee will report back with more detail in March.

Public Comment: Steve Kologi, speaking on behalf of himself, not AMRPE, stated that putting PERS, GWPORS and SRS in the same funding bill does not bother him personally, but it may bother others who would rather have their own bill.

Also, he agrees with being proactive, or maybe having a fall back position. The first choice would be to have the funding bill and get the employer contribution rates raised to make the systems financially sound. How much would changing the half pay retirement from 25 back up to 30 years reduce the unfunded liability? Or changing the GABA for those folks from 3% to 2%?

Tom Schneider addressed the health issue, stating that going into the health statute really does not solve that problem. MPEA would strongly resist reducing benefits for new hires, who are already going to pay for their entire benefit load, plus other people. He felt the Board needs to look at what has already been granted that was not paid for at the time those grants were made.

There being no other comments, Mrs. Kasten moved to adjourn the meeting. Mr. Paull seconded the motion. (3-0)